

**COMMONWEALTH OF MASSACHUSETTS
BEFORE THE
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

Investigation by the Department of)	
Telecommunications and Energy on)	D.T.E. 02-40
Its Own Motion into the Provision of)	
Default Service)	

REPLY COMMENTS OF DOMINION RETAIL, INC.

Dominion Retail, Inc. (“Dominion Retail”) hereby respectfully submits these reply comments concerning the provision of Default Service in Massachusetts pursuant to the order of the Department of Telecommunication and Energy (“DTE”) in its *Order Opening Investigation into the Provision of Default Service* (the “Order”), dated June 21, 2002, in the above-referenced docket.

Introduction

Dominion Retail is a licensed electric supplier in the Commonwealth of Massachusetts. As in other states in which it operates, Dominion Retail’s primary focus in Massachusetts is on the residential and small commercial electric choice market. Currently, Dominion serves approximately 21,000 residential and small commercial electricity customers in Massachusetts. Dominion Retail submitted initial comments in this proceeding which it incorporates herein by reference.

Reply Comments

Dominion Retail finds that there is much to be commended in the proposals put forth by several parties, especially the innovative approach described by Massachusetts Electric Company (“Mass Electric”). Mass Electric’s proposal would greatly enhance

retail electric competition in the Commonwealth and help bring about the anticipated benefits to consumers, particularly Default Service customers. While statistics reveal that significant numbers of commercial and industrial customers have benefited from competition, mass-market residential and small commercial Default Service consumers have not yet enjoyed the same degree of competitive market benefits because many have not chosen an alternative supplier.

There are numerous reasons why the mass-market has been slower to realize the benefits of competitive retail choice, among them “lack of knowledge, know-how, and enthusiasm” (Comments of Dominion Retail, August 9, 2002). Additionally, certain structural components of Default Service have contributed to the lack of interest on the part of many consumers. The disparity between wholesale and retail electric prices has prevented true price signals from being sent to consumers. Dominion Retail agrees with the comments of the Competitive Retail Suppliers and the National Energy Marketers Association, and others, that such items as bad debt, congestion costs, load certainty risk, and the fixed/variable adjustments (and others) all need to be included in Default Service pricing to provide a fairer comparison of price options for consumers. Otherwise, consumers are essentially paying twice for these pricing components if they choose an alternative supplier. Default Service should be viewed as “last resort” pricing. Our view, like that of several other parties, is that the costs of providing Default Service should be fully unbundled.

To further enhance customer participation in Customer Choice, Dominion Retail hopes that the DTE will carefully consider the recommendations of Mass Electric. The Mass Electric proposal includes a feature providing for retail auctions of Default Service

customers. Dominion Retail is supportive of the auction process because we believe it will stimulate the participation of additional suppliers in the competitive bidding process. Mass Electric also would “provide all metering, billing, transaction process, customer service, and collections services for basic service providers at no incremental cost to the supplier” (Comments of Mass Electric, August 9, 2002, page 22). This approach is very commendable in Dominion Retail’s opinion. Customers stand to benefit from the value of a competitive bidding process while the basic and necessary consumer protection issues are safeguarded. The net effect is to ensure that customer transactions would remain relatively simple and seamless.

We are also supportive of the Mass Electric pricing proposal, which calls for the retail price to be set at the highest of the winning bids under the outstanding contract for service. This higher “backout credit” will, in our view, result in a more robust retail market among a greater number of suppliers and a broader range of products and services made available to customers. The Mass Electric pricing formula also enables retail suppliers to better manage customer migration risks by means of a market clearing price. Given the potential benefits to consumers of the Mass Electric proposal, Dominion Retail submits that the DTE should approve implementation of the Mass Electric program. Should the Department decide to hold technical sessions to examine these issues in more detail, Dominion Retail would gladly participate in these proceedings.

In conclusion, Dominion Retail appreciates having had the opportunity to comment in this proceeding and respectfully requests that the DTE carefully consider its comments.

Respectfully submitted,

/s/

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September 9, 2002

CERTIFICATE OF SERVICE

I hereby certify that on this day I served the foregoing document and eight copies to Secretary Mary L. Cottrell, Department of Telecommunications and Energy, by overnight mail. I also served this filing via electronic mail to dte.efiling@state.ma.us, jeanne.voveris@state.mas.us and the parties on the service list.

Dated at Pittsburgh, PA this 9th day of September, 2002.

/s/

Gary A. Jeffries